



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
FAMILY INDEPENDENCE AGENCY
LANSING



MARIANNE UDOW
DIRECTOR

The Honorable Bill Hardiman, Chair
Senate Appropriations Subcommittee on FIA
Michigan State Senate
State Capitol
Lansing, Michigan 48933

The Honorable Jerry Kooiman, Chair
House Appropriations Subcommittee on FIA
Michigan House of Representatives
State Capitol
Lansing, MI 48933

Dear Senator Hardiman and Representative Kooiman:

Section 278 (5) of 2004 Public Act No. 344 requires the Family Independence Agency to provide a copy of the detailed corrective action plan addressing the internal control weaknesses identified by the Office of the Auditor General in the Family Independence Agency Single Audit, dated July 2004. Copies of that plan are attached.

If you have any questions about the attached material, please contact Rita Barker, at (517) 373-7787.

Sincerely,

Marianne Udow

Attachment

C: Senate and House Appropriations Subcommittees on FIA
Senate Standing Committee on Families & Human Services
House Standing Committee on Family & Children Services
Senate and House Fiscal Agencies and Policy Offices
State Budget Director

Family Independence Agency
Corrective Action Plan and Status of the Audit Recommendations
FINANCIAL AUDIT
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT
October 1, 2000 through September 30, 2002
Report Issued on July 30, 2004

Audit Response Summary

Citations Complied With:

1a, 1c, 1d, 1f, 1g, 2a, 2d, 3a, 3b, 3c, 6, 9, 13a, 16, 24, 25

Citations the Agency Agrees With and Will Comply:

1e – 0/30/2004
2b, 2c, 2e – 9/30/2006
4 – 3/1/2005
5 – 9/29/2006
7 – 12/31/2004
8 – 1/31/2005
10 – 9/30/2005
11 – 6/1/2005
12 – 6/1/2005
15 – 12/31/2006
17 – 3/31/2005
18 – 11/1/2004
19 – 11/30/2004
20 – 12/31/2004
21 – 10/31/2005
22 – 5/31/2005
23 – 3/31/2005

Citations that have Budget Considerations: None

Citations the Agency Disagrees With:

1b, 3d, 13b, 13c

Citations that are no longer Applicable:

14 (Commission for the Blind was transferred to DLEG 12/7/03)

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	FIA Audit Response	Responsible Administration	Proposed Completion Date	Corrective Action/Update	Status
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Finding 1: Recording of Revenue

We recommend that FIA improve its process of recording revenue adjustments to ensure that revenue is recorded in accordance with GAAP.	<p>The Family Independence Agency (FIA) agrees with the recommendation with regard to items a. and c. through g. and will comply. FIA disagrees with the recommendation with regard to item b.</p> <p>Corrective Action: The Bureau of Accounting (BOA) will ensure that revenue is recorded in accordance with generally accepted accounting principles (GAAP). FIA disagrees with the recommendation with regard to item b. The Office of Financial Management, Department of Management and Budget (DMB), policy requires that current year operation remain separate from prior year operation. FIA's appropriation legislation contains boilerplate language in Section 212 that states, "In addition to funds appropriated in part 1 for all programs and services, there is appropriated for write-offs of accounts receivable, deferrals, and for prior year obligations in excess of applicable prior year appropriations, an amount equal to total write-offs and prior year obligations, but not to exceed amounts available in prior year revenues or current year revenues that are in excess of the authorized amount." FIA's journal voucher entries in connection with prior year decreasing federal claims ensure that federal revenues are in line with federal claims.</p>	BAFM	9/30/2004	<p>1a. FIA took action based on legislation, Section 113 of 2001, PA 81, increased GFGP for child support automation 113(2) by \$14,805,700 and decreased the federal appropriations by the same amount. Section 113(3) increased state GFGP appropriations for legal support contracts by \$20,720,100 and decreased the federal appropriation by the same amount.</p> <p>1b. FIA disagrees and plan no action</p> <p>1c. Beginning FY 2002-03, FIA Bureau of Accounting began increasing federal revenue related to federal report prior year adjustments due to increasing claims.</p> <p>1d. FIA usually processes child support collection refunds as revenue reductions vs. expenditures. In this particular fiscal year, the amount refunded, that was prior year related, resulted in a material amount of 18.3 million.</p> <p>1e. FIA has requested a supplemental appropriation for FY04 – File No.: 431009 to allow for recording an expenditure and federal revenue. A journal voucher will be processed by September 30th to reclassify 2004 costs to expenditures. In connection with the Supreme Court, beginning with the 4th quarter of fiscal 2003, FIA sent federal revenue to Supreme Court. In connection with the State Police, interagency agreement, FIA recorded an expenditure, with a corresponding expenditure credit for State Police, using a TC 962 (GAAP expenditure credit) which follows DMB's FRAM Chapter 16 Section 1 guidelines.</p> <p>1f. FIA Bureau of Accounting does have an internal procedure to recognize the re-issuance of cancelled warrants.</p> <p>1g. FIA Bureau of Accounting is no longer expediting credits processed (manual adjustment on line 5 of FIA 2381). The credits are being processed on the 3508A and show up on the "ck" reports which eliminates the majority of the understatement of revenues and expenditures.</p>	open
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Finding 2: Local Accounting System Replacement (LASR)

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We recommend that FIA establish additional LASR controls to help ensure that assets are safeguarded, transactions are properly approved, and improper transactions are prevented and detected.	<p>FIA disagrees. Early retirements, since October 2002, may have left a temporary void in knowledge base; however, newly hired management staff are quickly familiarizing themselves with the system functionality. FIA's BOA/Local Office of Liaison (LOL) staff maintain on-line manuals, including accounting, administrative handbook, and reporting, on a current basis. Currently, desk references are available, and training manuals are in progress for the newly implemented Local Accounting System Replacement (LASR) 11i. Note: FIA-BOA/State Disbursement Unit (SDU) staff and this Unit's use of the LASR software system functionality is mutually exclusive from that of FIA-BOA/ LOL.</p> <p>Corrective Action: Regarding item b., LASR allows the same individual to initiate, process, and issue payments. However, complete separation of duties is not feasible without the appropriate staffing levels at the local offices. We are in the process of modifying the LR-854 report, AP Invoice Exceptions Transactions Audit Report, to include a field that identifies "Issued By" information, which has been made possible by LASR 11i new functionality. This will allow for monitoring and appropriate follow-up. Currently, FIA-BOA/LOL staff are working on development of a system for appropriate oversight that will include off-line or manual approvals. Regarding item c., we will commence regularly scheduled fiscal reviews as staffing and travel funding are made available. In addition, we will explore teleconferencing among other options in light of further travel funding reductions. Regarding item d., FIA-BOA/LOL staff instituted the New/Modified Supplier/Vendor Report to monitor new vendors created in LASR and that report is periodically run by a member of the FIA-BOA/LOL staff. Regarding item e., we cannot reconcile all LASR payments to the State's</p>	BAFM	9/30/2006	<p>a. Staff have now been with the LASR program for a sufficient amount of time to become more knowledgeable and familiar with the system.</p> <p>b. BOA has begun a review of local offices to work with local office staff to address this concern. Visits began in August of 2004 and will take through fiscal year 2006 to complete due to travel restrictions and staffing levels.</p> <p>c. We began regularly scheduled fiscal reviews in August of 2004, and will continue as staffing and travel funding are available.</p> <p>d. A new/modified supplier/vendor report was created in December of 2003, and a BoA staff member is reviewing it periodically.</p> <p>e. We cannot reconcile all LASR payments to the state's accounting system because many of those payments are locally funded. The local office reimbursement process facilitates verification that all state reimbursable transactions are recorded on the state's accounting books. FIA-BoA/LOL staff will explore reconciliation options with management. FIA BOA has submitted an SR for an additional report to assist in reconciling LASR and better identify county spending processed by LASR.</p>	open

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	accounting system because many of those payments are locally funded. The local office reimbursement process facilitates verification that all State reimbursable transactions are recorded on the State's accounting books. FIA-BOA/LOL staff will explore reconciliation options with management.				
Finding 3: Cash Management					
We recommend that FIA improve its internal control to ensure that federal funds are drawn on a timely basis.	FIA concurs with items a., b., and c. FIA has corrected its draw-down methodology. FIA disagrees with item d. in connection with drawing federal dollars on advance payments. Title 45, Part 92, Section 21 of the <i>Code of Federal Regulations</i> allows grantees a 3- to 5-day advance period to receive the federal funds before expending them. FIA cash advances do not fit the criteria. FIA has tightened its internal control processes for federal draws.	BAFM		3a. FIA corrected this oversight in drawdown policy in May 2003 3b. In 2003 staff was assigned to back up the staff who does this function 3c. Internal controls were added to submit claim to Treasury even when US Treasury has said it will reject the claim. 3d. FIA disagrees and will take no action	Completed
Finding 4: Payroll Expenditures					
We recommend that FIA comply with established controls over payroll expenditures.	FIA agrees with the recommendation. Corrective Action: The Office of Human Resources will begin requiring certifiers to perform their function on-line. Because this function requires a password, it will ensure that nonauthorized personnel will not be able to certify records and there will be no need to have the postcertification function.	Personnel	3/1/2005	We will remind timekeepers quarterly of the retention period of the time sheets and payroll documents. We will also issue instructions on what to do with payroll documents when there is a complete office closure. HR will again remind timekeepers and certifiers that signatures are required on the HR-332A, Time and Attendance Summary Report. The last memo was October 19, 2001. Until certifiers are on-line, HR will again remind timekeepers and certifiers that if the timekeeper enters his or her own time, that the certifier must initial the entry on the HR 332A, Time and Attendance Summary Report. Once certifiers are on-line we will ensure that timekeepers are placed on a separate TKU since at that point, we should not have to print the HR-332A. The reason for the post certification was that the timekeeper had access to DCDS after the certifier	open

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				manually signed the HR-332A, Time and Attendance Summary Report and could have changed DCDS. Once certifiers are on-line and clicks the certify button, the timekeeper can no longer make a change. This will alleviate the need for the post certification.	
Finding 5: Schedule of Expenditures of Federal Awards (SEFA)					
We recommend that FIA improve its SEFA preparation process to ensure the complete and accurate presentation of its SEFA in accordance with OMB Circular A-133 and State financial management policies.	FIA agrees with the recommendation and will comply. Necessary adjustments have been made to the SEFA for this audit period and were submitted to the Office of the Auditor General (OAG). Corrective Action: BOA will ensure the complete and accurate presentation of its SEFA in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 and State financial management policies.	BAFM	9/29/2005	FIA made the necessary adjustments to provide for an accurate SEFA presentation for this report. FIA is developing a new system for tracking contract payments to accurately determine the amounts "distributed to recipients" that will reconcile to the amounts recorded in the Michigan Administrative Information Network (MAIN).	open
Finding 6: Child Support Accrual					
We recommend that FIA maintain subsidiary accounting records to support its methodology for the child support accrual.	FIA agrees in part. The child support accrual has an impact on the State of Michigan's reported financial results. However, there is no impact on federal reporting because child support revenue is reported to the federal government on a cash basis. We disagree that this finding should be in the Single Audit because it has no federal funds' impact. We agree that it may have a financial statement impact. We disagree that the appropriate child support subsidiary records are not maintained. We agree that documentation should be provided to support this accrual. Corrective Action: As one alternative to solve the lack of documentation and to compensate for the fact that the Office of Child Support cannot provide access to federal tax information, the Office did the following for fiscal year 2002-03. The Office of Child Support and the Office of Internal Audit tested the query calculations to actual detailed case level receipts and disbursements to	BAFM		This finding should not have been included in the single audit because it has no federal funds' impact. Also the appropriate subsidiary records have been maintained. However, a corrective action as an alternative to solve the lack of documentation and to compensate for the fact that the Office of Child Support cannot provide access to the federal tax information, did the following for fiscal year 2002-2003. The Office of Child Support and the FIA Office of Internal Audit tested the query calculations to actual detailed case level receipts and disbursements to determine if the queries actually produced the correct results for an individual case. The results of the testing were made available to the OAG for its review. Also, the federal auditors tested the certified MiCSES 2.4 system to ensure that it was properly distributing receipts (including tax offset). The test deck was provided to the OAG. The same procedure will be followed for fiscal year 2003-2004.	Completed

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	determine if the queries actually produced the correct results for an individual case. The results of the testing and queries to produce the child support accrual were available to the OAG for its review. Also, the federal auditors tested the certified Michigan Child Support Enforcement System (MiCSES) to ensure that it is properly distributing the receipts (including the offset). The test deck used by the federal auditors was provided to the OAG.				
Finding 7: Expenditure Documentation					
We recommend that FIA maintain a record of the location of the supporting documentation for its expenditures.	BOA agrees and will comply. Corrective Action: BOA plans on working with the OAG and the Office of Internal Audit to assist the OAG in reducing the time required to locate FIA expenditure documentation.	BAFM	12/31/2004	BoA is working with the OAG and OIA to assist the OAG in reducing the time required to locate FIA expenditure documentation. A reference document will be sent to OAG showing locations of documents.	open
Finding 8: Cash Receipting at Central Office					
We recommend that FIA improve its internal control over the central office cash receipting process.	FIA agrees in part with items a. and b. FIA has two employees sitting side by side when concurrently logging and opening mail. This provides an alternative control with the employees sitting side by side being able to observe each other as well as log and open mail. Independent calculations occur with receipts to catch any discrepancies. Cash receipts in locked bank bags are always stored in the locked safe. The practice of placing empty bank bags on a counter for reuse has stopped. All bank bags are placed in a locked safe. Corrective Action: FIA has improved internal control by having employees initial tapes created from proofing both tape processes and the daily printout cash receipt programs. FIA also has installed a lock box for over-the-counter checks to be received (slotted entry for customers). FIA concedes that one employee does not open mail while the other employee only observes. The	BAFM	1/31/2005	Employees sit at a common 6' long work surface within arm's length of one another, concurrently opening mail, thus making it next to impossible for one employee to conceal the opening of documents (cash, checks, etc.) from the other. One employee then keys checks and negotiable instruments onto a Cash Receipts database program, and runs a daily summary report with corresponding check count and dollar totals. Another employee independently runs a calculator tape from the previously opened paper documents. Errors or irregularities, if any, will be immediately recognized and resolved upon comparison of totals from both independent calculations. Each employee responsible for these separate functions will now initial both the tape run and the daily printout from the Cash Receipts program respectively. Administrative Handbook Item 904 will be revised to reflect this procedure. A locked drop box was installed early in 2004. All dropped off deposits are placed in it.	open

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	arrangement of work surfaces and proximity of staff to one another provides ample opportunity for staff to open mail, log cash receipts, and observe one another.				
Finding 9: Encumbrances					
We recommend that FIA improve its internal control to ensure that encumbrances are recorded in accordance with GAAP.	FIA agrees and will comply. Corrective Action: BOA will ensure that encumbrances are recorded in accordance with GAAP.	BAFM		FIA Bureau of Accounting, will continue to provide year-end closing workshops that go over the guidelines for proper encumbrances. The FIA Bureau of Accounting will request FIA OIA to review the FIA year-end closing worksheets for proper GAAP encumbrances.	Completed
Finding 10: Food Stamp Cluster, CFDA 10.551 and 10.561					
We recommend that FIA improve its internal control over the Food Stamp Cluster to ensure its compliance with federal laws and regulations regarding eligibility and special tests and provisions. WE AGAIN RECOMMEND THAT FIA COMPLY WITH FEDERAL GUIDELINES FOR THE FOOD STAMP CLUSTER. WE ALSO AGAIN RECOMMEND THAT FIA PERIODICALLY MATCH CIMS RECIPIENT RECORDS WITH DCH DEATH RECORDS TO PREVENT THE ISSUANCE OF BENEFITS TO DECEASED PERSONS.	FIA agrees with the recommendations and is in compliance. A thorough analysis has been completed to determine the primary reasons for Food Assistance Program inaccuracy and the barriers to improvement. The result was the development and implementation of a comprehensive corrective action plan. Corrective Action: Initiatives include the following: implementation of a second and third party case reading process, policy simplification, and automated support for income budgeting and eligibility determination.	Project Management	9/30/2005	1. Complete and implement enhancements to case read and reread system (CRIS), 2. complete development and implement Find and Fix, an automated process for matching income data available via tape match with FAO budget information and make correction, 3. develop and implement additional automated support for income budgeting and eligibility determination. Initiatives are designed to both reduce error proneness and workload, increase FAP accuracy and avoid additional sanctions and penalties.	open

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Finding 11: Juvenile Accountability Incentive Block Grants (JAIBG), CFDA 16.523

We recommend that FIA improve its internal control over the JAIBG Program to ensure its compliance with federal laws and regulations regarding allowable costs/cost principles and reporting.	FIA agrees with the recommendation and will comply. Corrective Action: Training for staff has been requested of the Office of Juvenile Justice and Delinquency Prevention staff from the U.S. Department of Justice, and internal controls will be strengthened. Quarterly audits of all program expenditures will be done.	BJJ	6/1/2005	Measures are in place for proper training of new staff to ensure OMB Circular A-87 requirements are met. Staff have been trained by the OJJDP staff and internal controls have been strengthened to require additional signatures. The BJJ Budget Unit is required to conduct quarterly audits of all JJDP and JABG program expenditures to ensure they are in compliance with the requirements including monthly meetings with the Bureau of Accounting to review financial reports that are being submitted for federal reporting. The automated grants system MAGIC provides for monitoring of performance reports for quarterly, semiannual, and final reports. Once compiled on MAGIC, they are electronically forwarded to OJJDP	open
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Finding 12: Juvenile Justice and Delinquency Prevention: Allocation to States (JJDP), CFDA 16.540

We recommend that FIA improve its internal control over the JJDP Program to ensure its compliance with federal laws and regulations regarding allowable costs/cost principles.	FIA's/Bureau of Juvenile Justice agrees with the recommendation and will comply. Corrective Action: Training for staff has been requested of the Office of Juvenile Justice and Delinquency Prevention staff from the U.S. Department of Justice, and internal controls will be strengthened. Quarterly audits of all program expenditures will be done.	BJJ	6/1/2005	Measures are in place for proper training of new staff to ensure OMB Circular A-87 requirements are met. Staff have been trained by the OJJDP staff and internal controls have been strengthened to require additional signatures. The BJJ Budget Unit is required to conduct quarterly audits of all JJDP and JABG program expenditures to ensure they are in compliance with the requirements including monthly meetings with the Bureau of Accounting to review financial reports that are being submitted for federal reporting. The automated grants system MAGIC provides for monitoring of performance reports for quarterly, semiannual, and final reports. Once compiled on MAGIC, they are electronically forwarded to OJJDP.	open
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Finding 13: Violence Against Women Formula Grants (VAW), CFDA 16.588

We recommend that FIA improve its internal control over the VAW Program to ensure its compliance with federal laws and regulations regarding allowable costs/cost principles; matching, level of effort, and earmarking; reporting; and subrecipient monitoring.	We agree in part. We do not agree with the payroll issues and the expenditure issues. Corrective Action: We also do not agree with the match issues. We will work with BOA to remedy all accounting related issues.	AFS		13A(1): Issue was resolved by reimbursement of funds. 13A(2): Staff prepare time reports that document their time distribution when working on multiple activities. Questioned costs are disputed because staff did not work on activities unrelated to Violence Against Women. 13A(3): This employee prepares a time report that documents her time distribution. Questioned costs are disputed because this staff member did not work on activities unrelated to Violence Against Women.	Completed
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				<p>MDVPTB has established an internal system for additional documentation by state, fiscal, federal contract and subcontract contract year. Additionally, a more extensive coding system, which will allow the expenditures to be tracked on MAIN, will be implemented in October, 2005.</p> <p>The MDVPTB immediately began ensuring that all match information was submitted to federal reporting, and that federal reports are reconciled with MDVPTB records on a quarterly basis.</p> <p>MDVPTB has established an internal system for additional documentation by state fiscal, federal contract, and subcontract year. A more extensive coding system, which will allow the expenditures to be tracked on MAIN, will be implemented in October, 2005.</p>	
Finding 14: Rehabilitation Services: Vocational Rehabilitation Grants to States (Rehabilitation Services Program), CFDA 84.126					

<p>We recommend that FIA improve its internal control over the Rehabilitation Services Program to ensure its compliance with federal laws and regulations regarding allowable costs/cost principles, eligibility, reporting, and special tests and provisions.</p>	<p>This program was transferred to the Department of Labor and Economic Growth (DLEG) on December 7, 2003. DLEG agrees with the recommendation and will comply.</p> <p>Corrective Action: The Rehabilitation Services Program has met with both internal staff and DLEG Finance and Administrative Services to discuss the accounting deficiencies and will continue to work with them to ensure consistency and compliance with federal reporting requirements of program costs, reimbursements and carry-forward obligations and expenditures. The Rehabilitation Services Program staff have also met with DMB and DLEG to identify all allowable rental costs that can be used for federal reimbursement and will review these on an annual basis with DMB and DLEG. In addition, the Statewide computerized Vocational Rehabilitation tracking system has been enhanced to ensure that rehabilitation services are processed according to federal regulations. The Rehabilitation Services Program will also increase case reviews and has implemented a new case file packet system to assist in monitoring required</p>	ICS		<p>FIA has no responsibility for the Commission for the Blind. As of 12/7/03 via Exec Order MCB is organizationally placed within DLEG.</p>	Complete
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	signatures and other manual case file information. The payroll signature issue will be addressed with the new on-line payroll system. The Rehabilitation Services Program will implement the system as soon as it is accessible for the visually impaired. Once implemented, payroll cannot be processed without a valid electronic signature.				
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Finding 15: Temporary Assistance for Needy Families (TANF), CFDA 93.558

<p>We recommend that FIA improve its internal control over the TANF Program to ensure its compliance with federal laws and regulations regarding activities allowed or unallowed, allowable costs/cost principles, eligibility, and special tests and provisions.</p> <p>WE AGAIN RECOMMEND THAT FIA REVIEW AND EVALUATE APPROPRIATE METHODS TO HELP ENSURE THAT FIA STAFF COMPLY WITH ESTABLISHED CASE FILE INTERNAL CONTROL PROCEDURES FOR DOCUMENTING TANF ELIGIBILITY AND THE PROPRIETY OF TANF EXPENDITURES.</p> <p>WE ALSO AGAIN RECOMMEND THAT FIA LOCAL OFFICES COMPLY WITH ESTABLISHED INTERNAL CONTROL TO SANCTION PUBLIC ASSISTANCE RECIPIENTS WHO DO NOT COOPERATE IN ESTABLISHING PATERNITY AND CHILD SUPPORT ORDERS OR WHO DO NOT MEET EMPLOYMENT-RELATED ACTIVITY REQUIREMENTS.</p>	<p>FIA agrees with the recommendations and will comply.</p> <p>Corrective Action: A workgroup has been established to complete a thorough review of the FIA Application for Cash Assistance Form (FIA-1171). Systems changes have been made to ensure accurate and routine criminal history checks for day care aides. Systems changes and training requests for an automated/integrated Work First referral system are in the planning stage.</p>	AFS	12/31/2006	<p>a. See finding #19.</p> <p>b1) We are eliminating requirements to complete FIA-1171C. Documentation requirements are being rolled into a revised FIA-1171 application form. We will create a desk-aid for staff, emphasizing the importance of documenting eligibility factors.</p> <p>6/1/2004 – A work group has been established to complete a thorough review of the FIA-1171. This includes incorporating the FIA-1171C information.</p> <p>FINAL COMPLETION DATE: July 2005</p> <p>b.(2) AP Specialists have been reminded through Zone Offices.(Field Services Administration) to consistently document customer requests for vrending.</p> <p>b.(3,4,5,7&9) We will revise the FIA-1171 and incorporate certification pages back into the apps and not require a separate form. We will create a desk aid for staff, emphasizing the importance of documenting eligibility factors.</p> <p>–6/1/2004– A work group has been established to complete a thorough review of the FIA-1171. This includes incorporating the FIA-1171C information.</p> <p>FINAL COMPLETION DATE: July 2005</p> <p>b.(6) In September 2003 we automated Work First referrals on our systems. This eliminates missed referrals and automatically stores referral dates. In addition, automated assignments are stored historically, providing 'as of' date inquiry. In addition, we will:</p> <p>1) Add a complete interface between FIA and DLEG systems to ensure Work First compliance is automatically documented on FIA's system and eliminate or reduce instances in which non-compliance is not acted on.</p> <p>2) Include a segment in worker training that emphasizes the importance of consistent and correct documentation.</p>	open
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				<p>3) Create a desk-aid for staff, emphasizing the importance of documenting eligibility factors. 6/3/2004: Planning systems change and training requests. FINAL COMPLETION DATE: January 2006</p> <p>b.(8) 0/29/04 Alert AP -- reminder sent to AP Specialists through Zone Offices</p> <p>c.(1&2) We plan to: 1) Integrate systems or move to a new integrated system 2) Complete development of automated eligibility. 6/3/04: FIA management has established a systems integration team that will recommend systems solutions in the near future. FINAL COMPLETION DATE: Estimate 12/2006</p> <p>d(1) We plan to: --1) Integrate systems or move to a new integrated system --2) Complete development of automated eligibility. 6/3/2004: Established a IVA/IVD Coordination Committee to find ways to improve communications between TANF systems. First meeting is scheduled 6/18/2004. FIA management has established a systems integration team that will recommend systems solutions in the near future. FINAL COMPLETION DATE Estimate: 12/2006</p> <p>d(2) In September 2003 we automated Work First referrals on our systems. This eliminates missed referrals and automatically stores referral dates. In addition, automated assignments are stored historically, providing 'as of' date inquiry. We also plan to: 1) Add a complete interface between FIA and DLEG systems to ensure Work First compliance is automatically documented on FIA's system and eliminate or reduce instances in which non-compliance is not acted on. 2) Automate generation of the non-compliance notification and disqualification/closure process for FIP. 6/3/2004: Planning systems change and training requests.</p> <p>FINAL COMPLETION DATE Estimate: January 2006</p>	
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Finding 16: Child Support Enforcement (CSE), CFDA 93.563					
<p>We recommend that FIA improve its internal control over the CSE Program to ensure its compliance with federal laws and regulations regarding allowable costs/cost principles, equipment and real property management, and special tests and provisions.</p> <p>WE ALSO RECOMMEND THAT FIA PROPERLY ACCOUNTY FOR EQUIPMENT PURCHASES IN ACCORDANCE WITH STATE POLICY AND FEDERAL REGULATIONS.</p>	<p>The finding contains three items and one of those items contains three subsections. FIA agrees with some parts of the finding and disagrees with others. We agree with items a. and b. and subsections c(1)(a), c(2), and c(3). We agree in part and disagree in part with subsection c(1)(d) (subitems 1), 2), 4), and 6) meet the 75% federal compliance requirement). We believe that a level of performance cannot be an internal control weakness if we have met federal performance requirements. The remainder of the finding has been corrected through the implementation of the Statewide MiCSES 2.4 on September 30, 2003 or other specific action and, therefore, FIA has complied.</p> <p>Corrective Action: FIA has implemented MiCSES 2.4 and its automated processes, the Program Leadership Group has been established to help make practices and procedures consistent across the State, DMB has implemented an indirect cost method to charge time, and an asset listing has been provided to the Office of Purchasing.</p>	LAFI		<p>A. DMB has implemented a new method to determine the time charged to MiCSES. Under the current practice DIT bills this time using an indirect cost method. They determine ratio of the time that their personnel work on the CSES server(s) as compared to all servers/mainframes at the data center. This ratio is multiplied by the personnel costs to arrive at the amount billed for MiCSES. This method eliminates the need for the semiannual certifications.</p> <p>B. An inventory of the equipment has been taken and that list has been supplied to the FIA Office of Purchasing. The contract requires that FIA take title to equipment that meets 2 conditions. It must have been originally located at the SDU, and it must be necessary for the purpose of processing child support payments. The most beneficial interpretation from FIA's point of view is to take title at the end of the contract. Therefore the assets are not recorded on the fixed asset records for the SOMCAFR. This interpretation is the most beneficial because as long as the contract continues the contractor must maintain the insurance and maintenance on the equipment. The contractor would also be required to replace any equipment that failed, at its expense. This interpretation avoids placing the FIA in the position of being responsible for equipment during its life cycle. This contract is scheduled to end, at the latest, 3/31/2005.</p> <p>C. Initial meetings have taken place related to the timeliness of the referral from the financial assistance specialists to the support specialists. Also, the MiCSES 2.4 system was implemented statewide October 1, 2003., and was federally certified on November 25, 2003.</p> <p>In MiCSES 2.4, there is an alert system that tracks their work and notifies the Support specialists when action needs to be taken on a particular case. Their manager can also see the alerts that are processed for additional processing accuracy. The problem of lost cases, is corrected by the fact that there is no longer a paper</p>	Complete

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				process; it is an automated process in MiCSES 2.4. The monitoring of the child support referral to the PA is now an automated process in MiCSES 2.4. The problem of reviewing interstate cases was rectified with the implementation of MiCSES 2.4 and we are now able to control, account for, and monitor all the factors in the child support collection and paternity determination processes under the State Plan. As described above, MiCSES 2.4 automates and monitors many of the establishment functions. Therefore, all actions are expected to be performed in timely manner.	
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Finding 17: Refugee and Entrant Assistance: State Administered Programs (REAP), CFDA 93.566

<p>We recommend that FIA improve its internal control over REAP to ensure its compliance with federal laws and regulations regarding activities allowed or unallowed, allowable costs/cost principles, eligibility, procurement and suspension and debarment, reporting, and subrecipient monitoring.</p> <p>WE AGAIN RECOMMEND THAT FIA REVIEW AND EVALUATE APPROPRIATE METHODS TO HELP ENSURE THAT FIA STAFF COMPLY WITH ESTABLISHED CASE FILE INTERNAL CONTROL PROCEDURES FOR DOCUMENTING REFUGEE ELIGIBILITY AND THE PROPRIETY OF REAP EXPENDITURES. WE ALSO AGAIN RECOMMEND THAT FIA COMPLY WITH ITS PRESCRIBED INTERNAL CONTROL FOR ISSUING CONTRACTS TO OBTAIN SERVICES RENDERED UNDER REAP.</p>	<p>Agree.</p> <p>Corrective Action: We plan to meet with the Department of Information Technology to determine a strategy for pulling data from the data warehouse to flag supervisory review in the field. We also plan to hire a full-time foster care specialist to oversee billings and nonscheduled payment approvals. We further plan to meet with the field operations director to strengthen protocols in the county FIA offices.</p>	AFS	3/31/2005	<p>A 1. REAP will automate the computation of days on the spreadsheet submitted with the bill from the health providers.</p> <p>A 2. REAP will ensure correct coding and correct billing dates by hiring a foster care analyst to oversee billings and non-scheduled payment approvals.</p> <p>A 3. DCH will provide documentation for refugees who incur pharmaceutical expenditures for which DCH is seeking reimbursement.</p> <p>B 1 DCH will provide documentation for refugees who incur pharmaceutical expenditures for which DCH is seeking reimbursement.</p> <p>B 2 REAP will hire a foster care analyst to oversee the establishment of central office unaccompanied minor files and conduct onsite case reviews to ensure completeness of youth case records.</p> <p>B 3 Work with Field Operations to develop and implement a procedure for refugee case review</p> <p>B 4. Work with Field Operations to develop and implement a procedure for refugee case review</p> <p>B 5. Work with FIA Human Resources to develop and implement a procedure to document payroll</p> <p>C 1. REAP will request a systems change to flag refugee cases at the eight month mark for closure.</p>	open
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				<p>C 2. REAP will hire a foster care analyst to oversee the establishment of central office unaccompanied minor files and conduct onsite case reviews to ensure completeness of youth case records</p> <p>C 3. REAP will develop and implement a procedure to ensure eligibility for RCA and RMA is documented in the case record.</p> <p>The three local health providers have contracts as of 1/1/02 and Contracts Management amended the two general foster care contracts to include refugees as of 8/5/04.</p> <p>E 1- E 8 REAP has contracted with a nonprofit agency to produce statistics for the Federal Quarterly Performance Report HHS ORR.</p> <p>REAP will work with the Office of Internal Audit to determine the expectations associated with OMB Circular A- 133 pertaining to subrecipients.</p>	
Finding 18: Low-Income Home Energy Assistance (LIHEAP), CFDA 93.568					
<p>We recommend that FIA improve its internal control over LIHEAP and its compliance with federal laws and regulations regarding allowable costs/cost principles, eligibility, and reporting.</p> <p>WE AGAIN RECOMMEND THAT FIA REVIEW AND EVALUATE APPROPRIATE METHODS TO HELP ENSURE THAT FIA STAFF COMPLY WITH ESTABLISHED CASE FILE INTERNAL CONTROL PROCEDURES FOR DOCUMENTING LIHEAP ELIGIBILITY AND THE PROPRIETY OF LIHEAP EXPENDITURES.</p>	<p>FIA agrees with the recommendations and will comply.</p> <p>Corrective Action: Improved training mechanism, new case packet instructions, targeted case reads, improved tracking of policy memorandums in on-line manuals, and automated budget are being implemented. Closer contact with the Department of Treasury is occurring.</p>	AFS	11/1/2004	<p>a&b</p> <ol style="list-style-type: none"> 1) Case packet instructions to be implemented by FY 2004-05. 2) SER Blackboard training implemented to assist workers with policy. 3) Proposed changes to online manuals will allow the ability to track policy clarifications better. 4) Annual case reads will be conducted in various counties to ensure compliance with proper documentation of eligibility and payments. 5) The SER budget will be put on LOA2 to assist with accurate determinations and payments. <p>DATE/PROGRESS:</p> <p>5/04 Case packet instructions completed. 3/22/04 Blackboard training implemented.</p> <p>c.--Upon notification of Errors by the OAG, a revised version of the FY 2001-02 report was submitted to and accepted by the Federal LIHEAP office. In addition, we ensure that supporting documentation is maintained in the report file. Also, discussion with the Federal LIHEAP office resulted in a reporting of categorically eligible</p>	open

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				differently than how the OAG determined was correct. The FIA LIHEAP program office will be reporting in FY 2003-04 the categorically eligible as explained by Federal LIHEAP office. FINAL COMPLETION DATE: 1/6/04	
Finding 19: Child Care Cluster, CFDA 93.575 and 93.596					
We recommend that FIA improve its internal control over the Child Care Cluster to ensure its compliance with federal laws and regulations regarding activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting. WE AGAIN RECOMMEND THAT FIA REVIEW AND EVALUATE APPROPRIATE METHODS TO HELP ENSURE THAT FIA STAFF COMPLY WITH ESTABLISHED CASE FILE INTERNAL CONTROL PROCEDURES FOR DOCUMENTING CHILD CARE CLUSTER ELIGIBILITY AND THE PROPRIETY OF CHILD CARE CLUSTER EXPENDITURES.	FIA agrees with the recommendations and will comply. Corrective Action: Systems changes have been made and policy has been clarified. Staff have been notified of changes and reminded of the importance of accurate case documentation. A case reading form is being piloted.	AFS	11/30/2004	A systems change was made in the fall of 2002 to correct the name search format for the criminal history checks on day care aides and relative care providers. The criminal history checks are currently done once a month. FINAL COMPLETION DATE: Fall 2002 PAM 300, The Case Record, Child Development and Care Provider File, was revised in January 2004, to clarify for the specialist what items must be included in the CDC provider file. Specific required items are now listed in policy. FINAL COMPLETION DATE: Fall 2004 PAM 300, The Case Record, Child Development and Care Provider File, was revised in January 2004, to clarify for the specialist what items must be included in the CDC provider file. Specific required items are now listed in policy. FINAL COMPLETION DATE: January 2004 <input type="checkbox"/> L-Letter #L-04-001 was disbursed to the field on January 5, 2004. The purpose of the memo was to remind staff of the importance of accurate case documentation in the CDC case file. <input type="checkbox"/> A case reading form has been developed and is being piloted by field staff. This case reading form will serve as a reminder to field staff of what is required in the case for documentation. <input type="checkbox"/> Case packeting instructions are to be implemented by FY 2004-05. June 2004: memo to field with instructions on phasing in new case packeting policy.	open

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				<p>October 2004: PEM 300 revised with new case packeting policy.</p> <p>1-05-04: L-letter sent to field staff.</p> <p>March 2004: case reading form available to all field staff.</p> <p>May 2004: revised case packet covers available to field staff.</p> <p>Review of PEM 225, Child Support, to determine if further clarification is necessary. FINAL COMPLETION DATE: June 2004 Reviewing Child Support disqualification policy.</p> <p>Review of PEM 205, Group Composition, to determine if further clarification is necessary. FINAL COMPLETION DATE: June 2004 Reviewing Group Composition policy.</p> <p><input type="checkbox"/> L-Letter #L-04-001 was disbursed to the field on January 5, 2004. The purpose of the memo was to remind staff of the importance of accurate case documentation in the CDC case file.</p> <p><input type="checkbox"/> A case reading form has been developed and is being piloted by field staff. This case reading form will serve as a reminder to field staff of what is required in the case for documentation.</p> <p><input type="checkbox"/> Case packeting instructions to be implemented by 2004-05.</p> <p>June 2004: memo to field with instructions on phasing in new case packeting policy.</p> <p>October 2004: PEM 300 revised with new case packeting policy.</p> <p>March 2004: case reading form available to all field staff.</p> <p>May 2004: revised case packet covers available to field staff.</p> <p>Policy for field staff was clarified to correct the issue.</p> <p>d.-Reports previously used were discontinued. Other work-arounds are being used to document obligations.</p>	
Finding 20: Child Welfare Services: State Grants (CWSS), CFDA 93.645					

We recommend that FIA improve its internal control over the CWSS Program to ensure its compliance with State and federal	FIA agrees with the findings. Corrective Action: Children's Services will work with Field Services and	CSA	12/31/2004	Children's Services Administration will work with the Bureau of Accounting to strengthen its internal controls on these grants. Children's Services is in the process of	open
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laws and regulations regarding allowable costs/cost principles.	BOA to ensure proper reporting and documentation processes.			hiring a financial specialist who will work closely to monitor and track expenses and will assist in establishing additional internal controls where needed.	
Finding 21: Foster Care: Title IV-E, CFDA 93.658					

<p>We recommend FIA improve its internal control over the Foster Care Program to ensure its compliance with federal laws and regulations regarding activities allowed or unallowed, allowable costs/cost principles, and eligibility.</p> <p>WE AGAIN RECOMMEND THAT FIA REVIEW AND EVALUATE APPROPRIATE METHODS TO HELP ENSURE THAT FIA STAFF COMPLY WITH ESTABLISHED CASE FILE INTERNAL CONTROL PROCEDURES FOR DOCUMENTING FOSTER CARE PROGRAM ELIGIBILITY AND THE PROPRIETY OF FOSTER CARE PROGRAM EXPENDITURES.</p>	<p>FIA agrees with the findings.</p> <p>Corrective Action: The time period for which cases were reviewed was during the initial roll-out of the Services Worker Support System (SWSS). Many of the individual findings relating to information in the case record will be corrected with the continued implementation of components of SWSS. Multiple findings reflected foster care maintenance payments made to Title IV-E ineligible children. As part of the Title IV-E Review Program Improvement Plan, additional staff training on determining Title IV-E eligibility will be developed and implemented.</p>	CSA	10/31/2005	<p>FIA policy and procedure mandate supervisory review and approval of case plans. Local office managers and supervisory staff will be advised of the requirement to comply with federal regulations for review and signature. Proposed case management system changes will result in an electronic approval process where the supervisor must review and sign before further case plan activities can be completed by the worker.</p> <p>Edits in the payment module of SWSS-FAJ have been added to deter IV-E payments being issued without the proper determination having been made.</p> <p>1. SWSS modifications in the payment module should correct this problem. Additional attention and oversight by the supervisory personnel in the local office will also correct this problem.</p> <p>2. Edits to the funding module in SWSS-FAJ have been added to ensure proper eligibility is determined. Additionally, supervisory personnel and Zone personnel are reviewing a number of Title IV-E cases each month to ensure accuracy. CFF 901-7 has been added to ensure accuracy of funding determination.</p> <p>3. The FIA is training workers and supervisory personnel to ensure proper Title IV-E determination occurs. Edits have been added to the funding module in SWSS-FAJ that will assist in proper determination. The State Court Administrative Office is training local court and court administrators in the proper wording for court orders to ensure eligibility is correctly determined. The FIA has submitted a Program Improvement Plan to the federal government to correct Title IV-E program administration deficiencies. That plan is in DRAFT form at this time pending approval from the Department of Health and Human Services but FIA and SCAO are implementing strategies outlined in the PIP as essential practices to ensuring eligibility accuracy. Foster Care Policy CFF 722-10 has been added to ensure compliance with permanency hearings.</p>	open
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Finding 22: Adoption Assistance, CFDA 93.659

We recommend that FIA improve its internal control over the Adoption Assistance Program to ensure its compliance with federal laws and regulations regarding eligibility.	FIA believes that documentation of a background check currently resides only in the consent packet, not in the subsidy application. Corrective Action: FIA will develop a paper process that will require that verification of a background check is completed before adoption subsidy is approved.	CSA	5/31/2005	1: Adoption Subsidy Manager reviewed requirements with staff; previous form was made obsolete and new form now includes specific question on criminal history; 2: Policy is in place that indicates FIA should not use IVE funds in this manner. Adoption Subsidy Manager reviewed policy requirements with staff. 3: Adoption Subsidy Office is continuing to develop a component within its new automation system to fix this problem. Implementation date: Due to DIT priorities, this has been pushed back for implementation until spring 2005. 4: Adoption Subsidy Manager has reviewed this policy with staff.	open
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Finding 23: Chafee Foster Care Independent Living (CFCIP), CFDA 93.674

We recommend that FIA improve its internal control over CFCIP to ensure its compliance with federal laws and regulations regarding activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort and earmarking; and subrecipient monitoring.	FIA agrees with this finding. Corrective Action: Management will develop uniform procedures for tracking and approving expenditures for administration of this grant.	CSA	3/31/2005	FIA has asked for technical assistance from the National Resource Center on Youth Development and the Department of Health and Human Services for information on proper use of CFCIP funds. We have hired a new staff person to oversee the administration of the Chafee program including authorization of payments. We are developing a new report specifically to track expenditures for CFCIP funds including recipient information. The Children's Services Administration is in the process of hiring a financial specialist with experience in payments and purchasing requirements who will track expenditures and oversee payments for this program. FIA is working on an IT service request that would incorporate the FIA 4713 into SWSS and allow us to track expenses for each eligible youth in care. FIA will issue a policy letter (L-Letter) reminding staff that, per policy, they must complete the FIA-4713. FIA will develop a new process to specifically track expenditures of CFCIP funds towards children who are	open
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				<p>between the ages of 18 and 21.</p> <p>FIA will adhere to policy regarding monitoring of subrecipients, in accordance with OMB Circular A-133.</p>	
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Finding 24: Cost Allocation Plan

We recommend that FIA improve internal control over its cost allocation plan.	FIA agrees. Corrective Action: FIA made improvements to internal control processes over its cost allocation plan.	BAFM	The error cited in the finding was identified and corrected in the quarter ended March 31, 2003 when corrected information was available. The Federal Reporting and Cost Allocation Section now double-checks the allocation percentages entered.	Completed
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Finding 25: Suspension and Debarment

We recommend that FIA establish internal control to ensure that it does not contract with or make grant awards to parties that have been suspended or debarred.	FIA agrees with the finding. Corrective Action: Contract language has been changed and policy/procedures were developed to check the status of each contractor.	BAFM	The Office of Contracts and Rate Setting checks the federal and state debarment lists prior to entering into contracts. Also, they have included language in the contracts for the contractor to certify that they have not been suspended or debarred.	Completed
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